

Date: July 25, 2011

To: Thomas Bonfield, City Manager
Through: Wanda Page, Deputy City Manager
From: Kerry L. Goode, CIO/Director of Technology Solutions
Subject: ePlus Group, Inc. Computer Lease Agreement

Executive Summary

In an effort to provide the City of Durham employees with current technology while staying within the approved annual budget, the City of Durham leases desktop and laptop computers rather than purchase them. Through the lease program, the City is able to install up-to-date computer hardware in a more structured manner. In order to secure a leasing company to provide a lease rate factor agreement that will cover the next four years; the City issued a Request for Bids (RFB) on May 6, 2008 which was approved by City Council on August 4, 2008.

In fiscal year 2012, the City will need to replace a total of 278 computers, which consists of 88 laptops, 7 precision workstations, and 183 desktops. Included in the proposed agreement are computers that were leased in fiscal year 2007. The City's cost to lease these units is \$56,063.16 annually for five (5) years or a total of \$280,315.80 plus \$14,015.80 for the transition fee at the end of the lease.

Recommendation

The Administration recommends that the City Council authorize the City Manager to execute a five (5) year lease agreement with ePlus Group, Inc. to lease 88 laptops, 7 precision workstations, and 183 desktops computers in the amount of \$280,315.80 for five (5) years.

The Administration also recommends authorizing the City Manager to modify the contract before execution provided that modifications do not increase the dollar amount of the contract and the modifications are consistent with the general intent of the existing version of the contract.

Background

At the end of June 2001, before implementing the first lease program in FY2002, more than 60% of the City's desktop and laptop computers were outdated. The Technology Solutions Department's main objective is to provide the City of Durham employees with current technology while staying within the approved annual budget. To meet this objective, the department recommended that the City enter into a master lease agreement during the FY 2002 budget preparation. The master lease agreement with ePlus Group, Inc. was approved by the City Council on August 6, 2001.

In addition to the leased computers, many departments purchased computers through

various grant programs. During the fiscal year 2005 budget preparation, the decision was made to include all outdated grant purchased computers in the lease program and to extend the existing leases with ePlus Group, Inc. from 36 month to 48 month.

In FY2011, the Technology Solution Department recommended the lease agreement be extended from 48 months to 60 months. This extension brought increased value to the City; and the City incurred a lower yearly outlay of funds to lease computers. The vendor has also agreed to provide a 60 month warranty to cover all none consumable parts, i.e. battery.

Issues/Analysis

The leases have built-in termination dates and the leases for fiscal year 2007 have matured. These computers are no longer under warranty and are outdated. The City must replace these computers by either purchasing new ones or by entering into a new lease agreement. The City has opted to replace these computers with a new lease instead of purchasing them. The proposed five-year lease agreement will allow the City to replace 88 laptops, 7 precision workstations, and 183 desktops computers in fiscal year 2012.

Leasing computers will provide the City with the opportunity to spread out lease costs over a period of five years, so the City can afford to keep current with the latest technology. Having a lease agreement also allows the City to account for this expense in a more structured manner, thereby reducing or eliminating appropriation difficulties. At the end of the lease, the City can determine whether the equipment and the goals of the lease are meeting the needs of the organization.

Alternative

There is one (1) alternative to the computer lease program:

- Purchase 88 laptops, 7 precision workstations, and 183 desktops computers for a total cost of \$240,066.50.

The alternative above would require the City to allocate an additional \$184,003.34 in this year's budget. The Technology Solutions Department currently does not have funds to purchase the required number of computer for this fiscal year.

Financial Impact

The Technology Solutions department has funds available to cover the lease expense, \$56,063.16 in fiscal year 2012 budget. The City will also have to pay the end of term transition and ordering period cost.

The City of Durham is required to submit a payment of \$14,015.80 quarterly. The payment will be made in quarterly installments; therefore, minimizing the overall affect of the financial position of the City.

SDBE Summary

The Equal Opportunity/Equity Assurance department has reviewed the bid submitted by ePlus Group, Inc. of Morrisville, NC and have determined they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

SDBE REQUIREMENTS

There were no SDBE firms to provide this service

The workforce statistics for ePlus Group, Inc. are as follows:

Total Workforce	661	100%
Total Females	262	40%
Total Males	399	60%
Black Males	29	4%
White Males	303	46%
Other Males	67	10%
Black Females	18	3%
White Females	181	27%
Other Females	63	10%

Attachments: Amendment to the Municipal True Lease Master Agreement No. NCM 121